

## Markets at a glance

### Trendspotter

**Signals** (click on links to obtain up to-date signal )

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

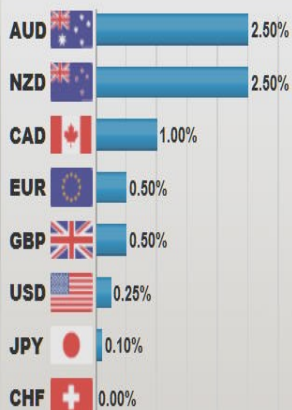
[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

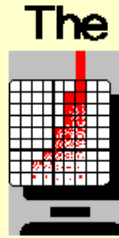
[Cotton](#)

[Rough Rice](#)



# The Insider Trader

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## Bargains left in the stock market but you need to dig deeper



With the Dow, S&P, NASDAQ, FTSE100, DAX, FTSE200 and RUSSELL 2000 sitting at either all-time highs or near multi year highs it may feel like all the deals and bargains have gone, so this month I will take a look at where I still see some value.

Of course, there is no disputing markets have run up and the “early bird” sale prices which were available in 2009 – 2010 have gone but unless you have a time machine we cannot go back.

As stated in previous updates I was expecting 2014 to be a “pick and mix” year and the big money would be made in individual issues and deals rather than just buying the market. So far this has been correct with my profits coming from

individual shares and deals such as Forrest Labs (FRX) Beam (BEAM), Coviden (COV), Hillshire Brands (HSH) and Allergan (AGN) rather than just tracking indices.

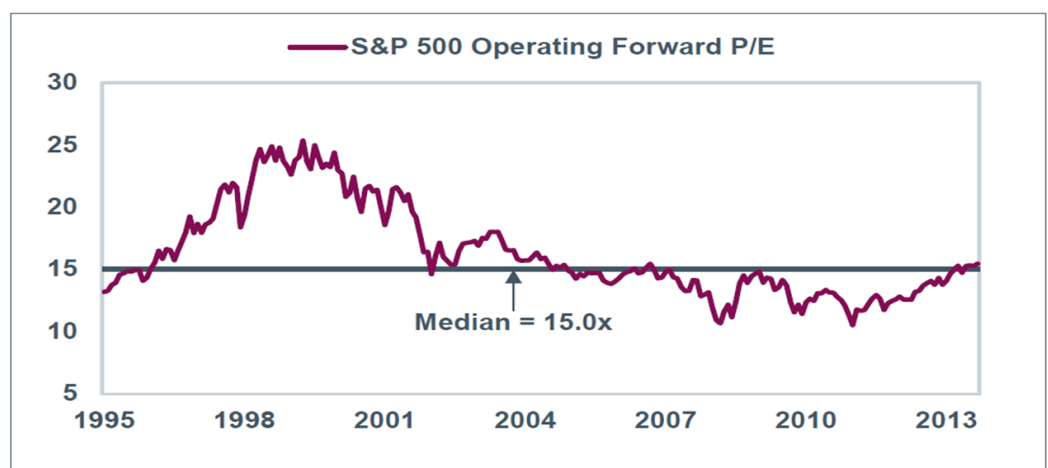
So let's look at 3 shares which have good potential in the next 12 months

**Blackberry (NYSE:BBRY) \$10.50**

**Blackberry (BBRY)** formally Research In Motion has been a horrific investment for anyone that has been long and down over 93% since the 2008 high when the stock hit \$150, however, I have been buying the stock and traded options from the \$7 level and shares are currently sitting at around \$10.50 and I still see more upside.

This is a contrarian call and not everyone shares my view, 31% of the stock is currently sold short (that is a high level and

**Valuations not outrageous but no longer a bargain but do not signal end of bull market.**



level and means many think the stock is going lower) but I think the new BBRY is misunderstood and many are just focusing on the handset business, it's the software and other services where I see value. The patent portfolio has a valuation of at least 3 billion US\$. The handset manufacturing is now outsourced to Foxconn which is what Apple also does.

BBRY - Blackberry Limited - Monthly OHLC Chart



The new CEO John Chen is an industry veteran formally of Sybase which was taken over by SAP. John Chen did a great job at turning around Sybase and I think he will do the same for BBRY. He has also recently taken on Eric Johnson as head of global sales who was formally with SAP and other key SAP staff are moving over to BBRY to work for Chen.

Now here is an interesting short clip on Bloomberg TV from earlier this year with the former ex CEO of Apple John Scully and note what he says: [http://www.bloomberg.com/video/is-the-blackberry-officially-dead-Tr6tHgTYROmTcEC\\_SQzS2A.html](http://www.bloomberg.com/video/is-the-blackberry-officially-dead-Tr6tHgTYROmTcEC_SQzS2A.html)

### Blackberry still rules in many fields

If you look at sectors such as Law, Accountancy, Government and Healthcare you will find blackberry is widely used with many firms moving over the BES10 platform. Healthcare could be a very big growth area for BES where secure data is needed, also in car automation.

The company has \$5 of cash on the books and has a book value of \$18 which is where I see the shares heading, of course don't expect this to happen overnight and there will be good and bad months but overall I expect Blackberry to keep turning around and expect more positive announcements to come out from the Blackberry Enterprise Services side.

Recently investment firm Primecap Management Co have boosted their shareholding in the company and

now own around 10%. Another big shareholder is Fairfax run by Prem Watsa he is often referred to as Canada's Warren Buffett and remains a long term holder.

Do remember BBRY are still losing money but are expected to go back into profit by the start of 2015, with the cost cuttings and current cash balance the company has no short term needs to raise capital.

### How to back Blackberry

Blackberry has a listing in Canada and the US but for most the US\$ listing is the easiest, you can buy the stock via an online broker, you can also buy call options. A call option gives you the right but not the obligation to buy the stock at a set time at a set price, for example a March 2015 \$13 call gives you the right to buy BBRY at that price, if the stock is trading less than \$13 then the option will be worthless as no one will exercise an option which has a higher strike price than the current market, but if say the stock is trading at \$16 then the option has \$3 of value.

The minimum trade is 1 contract, each contract is the same as 100 shares so if the option is trading at \$1 then your investment is \$1 x 100 = \$100 plus commission. Your break-even would be what you paid for the option less profit so staying with our example we paid \$1 the option has \$3 of value so our profit is \$2 x 100.

Andrew Left from Citron Research who his best known for short trades did a great write up on Blackberry and also agree, it would be a good idea to dump the Blackberry name and go back to Research In Motion. You can read his full write up here and his call for \$20 a share: <http://www.citronresearch.com/wp-content/uploads/2014/06/BlackBerry-and-the-Internet-of-Things-final.pdf>

**Baxter International (BAX) – Massive unlocked value – BUY ahead of Spin off**

About: Baxter International is a global medical products and service company with product sales in more than 100 countries. It manufactures and markets medical products for hemophilia, immune disorders, kidney disease, infectious diseases and other conditions. The company provides critical therapies and solutions to people with life-threatening and chronic conditions. It operates in two segments: BioScience (43% of 2013 sales on \$5.8 billion in revenue) and Medical Products (57% on \$9.4 billion)

Baxter has not really delivered much for shareholders, over the last 2 year the stock is about flat but I believe that Baxter is finally going to get its chance to shine and in many ways this reminds me of what Abbott Labs (ABT) did and that turned out to be very

profitable, for those that do not recall Abbott Labs spun off the Biotech side into Abbvie (ABBV) and that has been a great stock.

So Baxter will split the Bioscience business from the Medical Products, **the spin off value is not released overnight typically its 2 years to see the value so if Baxter breaks up into two (which they say they will) in 2015 then its 2017 before we see real value but you cannot wait until then as markets anticipate and start pricing in the future so now is the time to start buying the stock.** If you look at the chart at the end of March 2014 you will see how the price spiked on news of a spin off.

At \$74 a share the shares yield near 2.8% a year the P/E is on 20 but the forward is under 14 which is reasonable value. The two parts could easily add up to \$100 plus. You can download the full PDF presentation here: <http://bit.ly/1we1J1Z>



## Providing Greater Focus While Leveraging Key Strengths

	Medical Products (New Baxter)	Biopharmaceuticals (To Be Named)
<b>Global Presence</b>	<ul style="list-style-type: none"> <li>2013 Revenues = \$9.4 Billion<sup>1</sup></li> <li>~60% of sales are OUS</li> <li>~25% of sales in Emerging Markets</li> </ul>	<ul style="list-style-type: none"> <li>2013 Revenues = \$5.8 Billion<sup>2</sup></li> <li>~50% of sales are OUS</li> <li>~15% of sales in Emerging Markets</li> </ul>
<b>Market Leadership</b>	<ul style="list-style-type: none"> <li>Leveraging extensive global channel and presence in hospitals and alternate sites of care</li> </ul>	<ul style="list-style-type: none"> <li>Increasing penetration of existing therapies and improving treatment standards; launching new products</li> </ul>
<b>Portfolio &amp; Innovation</b>	<ul style="list-style-type: none"> <li>Actively managing product portfolio; enhancing focus on higher-margin specialty products</li> </ul>	<ul style="list-style-type: none"> <li>Building innovative pipeline; investing in SG&amp;A to drive new product launch excellence</li> </ul>
<b>Profitability &amp; Returns</b>	<ul style="list-style-type: none"> <li>Driving meaningful leverage in infrastructure costs; realizing significant Gambro synergies</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing margins with new product offerings; optimizing international commercial focus</li> </ul>
<b>Company Leadership</b>	<ul style="list-style-type: none"> <li>Robert L. Parkinson, Jr. - CEO &amp; Chairman</li> </ul>	<ul style="list-style-type: none"> <li>Ludwig N. Hantson, Ph.D. - CEO</li> <li>Wayne T. Hockmeyer, Ph.D. - Chairman</li> </ul>

## Driving Accelerated Sales, Improving Profitability & Returns And Enhancing Innovation

6 1. Sales include BioSurgey revenues; 2. Sales exclude BioSurgey revenues

**World Wrestling Entertainment (NYSE:WWE) \$11**

About: World Wrestling Entertainment, Inc., an integrated media and entertainment company, is engaged in the sports entertainment business worldwide. It operates in four segments: Live and Televised Entertainment, Consumer Products, Digital Media, and WWE Studios.

The Live and Televised Entertainment segment produces live events and provides content for its television and other programming; designs, markets, and distributes various WWE-branded products, such as t-shirts, caps, and other novelty items; and offers pay-per-view programs.

WWE is big business with a global reach and they own a lot of content which appeals to a wide audience. The last few years WWE has really been a poor investment, then as the chart shows it recently had an amazing boom and equally spectacular boost with the share going from \$10 to \$30 and then back to \$10. The run up was fuelled by expectations that a new television contract would yield far more revenue for WWE. WWE weekly programming averages more viewers than the NBA, NASCAR, MLB, NHL and UFC and gives family-friendly entertainment programming 52 weeks a year yet the content is not generating the income it deserves and the contract renewal disappointed. WWE launched a subscription model around 5 months ago, it has around 650,000 subscribers but needs 1 million+ to make up for lost pay per view revenue. Short term the company is likely to lose more money before the benefits show through, we will get to know more about this when the next set of results come out on the 31st July.

You can read up more about WWE in this presentation: <http://bit.ly/1q1pQDJ>



**So why do I see value?**

At the current price the company has a market cap of 870 million, it has sales of 509 million but made a loss of 8 million. It has cash of \$1 a share on the books and is still paying a dividend of 4% a year (not sure if that will last). 26% of the company is sold short. Whilst I think the \$30 price was well overdone, the \$10 share price factors in little potential upside and does not factor in the subscription model working or more international expansion. WWE will never earn the same respect or revenue as traditional sport but it still has entertainment value and even with the recent mistakes shares could be good for a 50% rebound from here over the next 12 months.

**I would only invest a small amount of risk capital in WWE**



**Risk Warning** All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds or stocks outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.